

MONTHLY REVENUE REPORT

July 2002

The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.73 billion in July, which was up 3.6% from last year's level. This marked the first monthly increase in these tax collections since December 2001. This increase was concentrated in the sales and single business taxes. The sales tax increase was primarily due to a boost in motor vehicle sales, and single business tax receipts were up due to a timing quirk in the collection of the July quarterly payment. Without these increases in the sales and single business tax collections, July collections would have been about even with last year's level. So far this fiscal year, the revenue collected from these 12 major taxes is down 2.9% from the comparable year-ago level. In order to reach the consensus estimate of a 1.5% decline in the collections from these major taxes in FY 2001-02, revenue collections over the next three months would have to top their year-ago levels by 2.5%.

Gross income tax collections totaled \$552 million in July, which was down 3.5% from the year-ago level. Even after adjusting for the reduced tax rate, which is currently 4.1% compared with 4.2% last year, income tax collections were still down about 1.0% in July. The income tax withheld from workers' paychecks, which accounted for 96% of gross income tax collections in July, was down 4.6% in July, after being up 0.8% in June. Quarterly and annual income tax collections were both up in July, but together their collections totaled only \$21 million. On a fiscal year-to-date basis, gross income tax collections are down 7.5%.

Sales tax collections totaled \$633 million in July, which represents an increase of 3.2% from the year-ago level. Most of this increase was due to a jump in motor vehicle sales, which pushed up motor vehicle sales tax receipts 15.4%. Sales tax collections from all other taxable retail sales were up 1.1% in July. This marks the first time in seven months that non motor vehicle sales tax collections topped the year-ago level. On a fiscal year-to-date basis, sales tax collections from motor vehicle sales are up 12.4%, sales tax collections from all other taxable retail sales are down 1.7%, and total sales tax collections are up 0.3%.

Single business and insurance tax collections totaled \$298 million in July, which was up 13.7% from last year. Most of this revenue was from a quarterly estimated payment that was due at the end of July. Some of this quarterly payment will not be collected until August. The breakdown of the collection of this quarterly payment between July and August varies from year to year, and based on collections during the first half of August, it appears that more payments were received in July and less in August, compared with last year. This means that some of the revenue increase realized in July will probably be offset by lower collections in August. So far this fiscal year, single business and insurance tax collections are down 2.4%.

Tobacco tax collections totaled \$54 million in July, an increase of 1.3% from last year. July tobacco tax collections largely reflect sales that occurred in June. The increase in cigarette sales that occurred in July to avoid the August 1st 50-cent per pack tax increase will be reflected in August tobacco tax collections. So far this fiscal year, tobacco tax collections are up 0.3%.

The table on the back of this report identifies the 12 major taxes included in this report, and provides their respective revenue levels and growth rates for July 2002, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the FY 2001-02 consensus revenue estimates adopted at the May Consensus Revenue Estimating Conference.

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MICHIGAN REVENUE UPDATE
JULY 2002
(dollars in millions)

Type of Revenue	July Collections		FY 2001-02 to Date ²⁾		FY 2001-02 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Income Tax						
Withholding	\$531.1	(4.6)%	\$4,843.3	(3.6)%	\$6,508.6	(1.3)%
Quarterly Payments	10.1	8.6	473.5	(20.1)	661.5	(15.5)
Annual Payments	10.6	86.0	472.9	(26.5)	509.4	(26.6)
Gross Income Tax	\$551.8	(3.5)%	\$5,789.7	(7.5)%	\$7,679.5	(4.9)%
Sales Tax	633.3	3.2	4,747.2	0.3	6,494.0	2.2
Motor Vehicles	104.1	15.4	770.0	12.4	---	---
All Other Sales Tax	529.2	1.1	3,977.2	(1.7)	---	---
Use Tax	119.8	(3.5)	980.9	0.4	1,368.0	2.6
Tobacco Tax	53.5	1.3	441.4	0.3	589.0	(1.2)
Single Business & Insurance Taxes	297.5	13.7	1,715.4	(2.4)	2,133.4	(4.0)
State Education Property Tax	32.1	111.2	960.2	9.4	1,558.0	4.6
Real Estate Transfer Tax	26.8	20.7	179.6	(1.6)	241.0	(4.7)
Estate/Inheritance Tax	15.1	91.1	106.4	(8.2)	127.0	(18.3)
Oil & Gas Severance Tax	4.0	(20.0)	24.1	(49.7)	33.0	(45.1)
Total	\$1,733.9	3.6%	\$14,944.9	(2.9)%	\$20,222.9	(1.5)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$123.3	11.5%	\$1,412.5	4.5%	\$1,654.2	3.1%
Net Lottery to School Aid ⁴⁾	\$ 43.7	2.1%	\$ 509.6	3.6%	\$ 605.0	3.1%

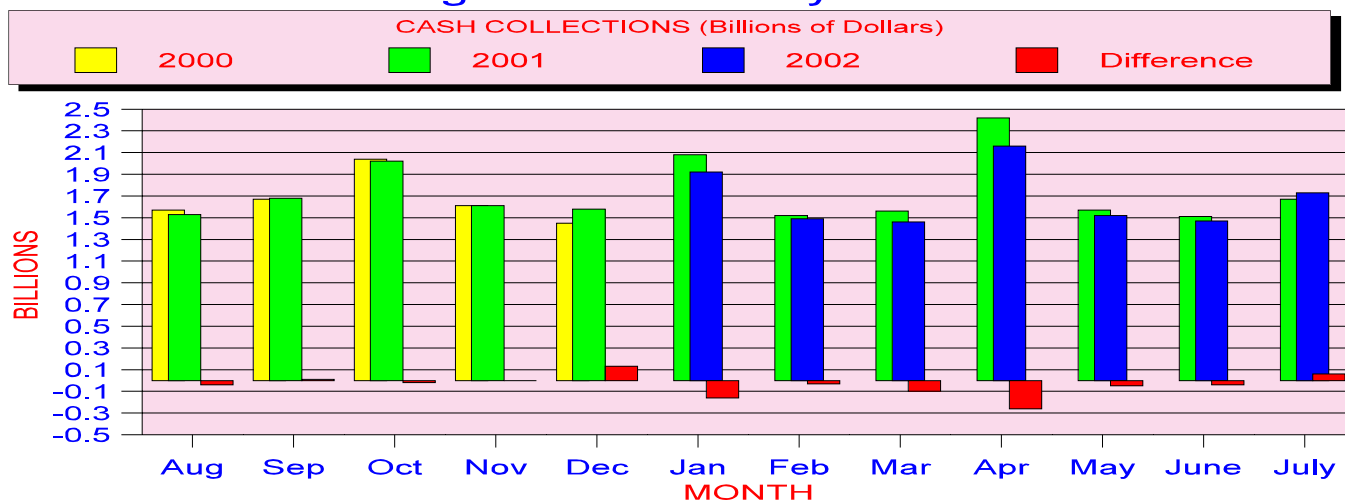
1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2001-02 year-to-date collections begin with November 2001 collections to reflect accrual accounting.

3) Consensus revenue estimates adopted at the May 16, 2002, Consensus Revenue Estimating Conference.

4) Lottery revenue is not accrued, so FY 2001-02 lottery revenue will include October 2001 to September 2002.

Actual Revenue Collections for 12 Major State Taxes*
August 2000 to July 2002



* Comparison of actual collections. The 12 taxes include the income (withholding, quarterly payments and annual payments), sales, use, tobacco, SBT, insurance retaliatory, estate, oil and gas severance, State education, and real estate transfer taxes.